

BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK[®]

FUND UPDATE

31 March 2023

Investment Performance (%)

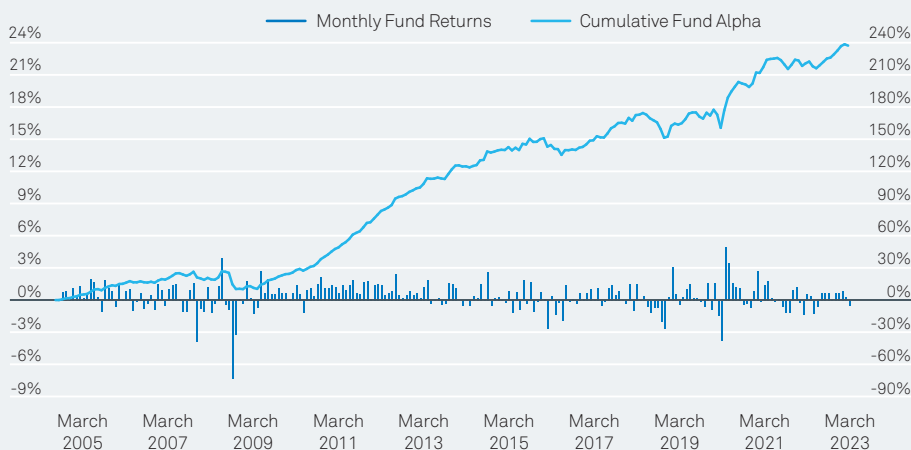
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund [^] (Gross of Fees)	-0.18	1.47	1.47	5.09	7.50	3.95	7.91
RBA Cash Rate Target	0.30	0.81	0.81	2.07	0.79	0.96	3.11
Outperformance (Gross of Fees)	-0.48	0.66	0.66	3.02	6.71	2.99	4.81
BlackRock Multi Opportunity Absolute Return Fund [*] (Net of Fees)	-0.29	0.92	0.92	3.41	5.33	2.20	2.78
RBA Cash Rate Target	0.30	0.81	0.81	2.07	0.79	0.96	1.46
Outperformance (Net of Fees)	-0.59	0.11	0.11	1.34	4.55	1.24	1.32

^{*}Fund inception: 31/07/2013. [^]Fund inception: 30/07/2004

The BlackRock Multi Opportunity Absolute Return Fund invests in, and has the same underlying investment strategy as, the BlackRock Multi Opportunity Fund, which has an inception date of 31 July 2004. The BlackRock Multi Opportunity Fund is only available to wholesale clients.

Performance for periods greater than one year is annualised. Past performance is not a reliable indicator of future performance. Performance is calculated in Australian dollars and assumes reinvestment of distributions. Gross performance is calculated gross of ongoing fees and expenses. Net performance of the BlackRock Multi Opportunity Absolute Return Fund and the BlackRock Multi Opportunity Fund will vary due to fee differences. Gross returns are provided for products offered to wholesale clients only who may be subject to differential fees. Please refer to the Fund's product disclosure statement for more information.

Fund Performance (Gross of Fees) to 31 March 2023



Performance Summary

MARKET COMMENTARY

Major asset classes performed strongly over the first quarter of 2023, despite significant turmoil within the financial sector. Global equities, as measured by the MSCI World Index, increased by 9.2% over Q1 in Australian dollar terms. Developed Markets outperformed their Emerging Market counterparts, with fears of broader contagion across the banking system easing late in March. However, investors remain alert for signs of any further financial cracks and economic damage following the collapse of Silicon Valley Bank and forced acquisition of Credit Suisse by UBS. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged) saw meaningful volatility but gained 2.4% over the quarter.

Multi Asset Team



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- Fund Performance
- Unit Prices

PERFORMANCE STATEMENT

The BlackRock Multi Opportunity Absolute Return Fund (the “Fund”) delivered a positive return of 0.9% (net of fees) over the first quarter of 2023. The Fund has stayed true-to-label over the volatile market and provided investors with positive returns that were broadly market neutral.

STRATEGY REVIEW

Three of the six hedge fund components contributed positively over the first quarter of the year. The main drivers of performance were Systematic Equity Market Neutral and the Style Premia component which supported the fund performance over the quarter while the Fundamental Equity component was relatively flat over the period. The Systematic Fixed Income component implemented by the Fixed Income Global Alpha strategy weighed on the fund performance over the quarter. Global Macro component also detracted over the period.

Systematic Equity Market Neutral Component

The Fund’s systematic equity market-neutral component delivered strong positive returns over the first quarter of the year driven by the global flagship strategy implemented by the **32 Capital Fund** and **Emerging Markets Alpha Fund**. The other strategies also contributed strongly over the quarter.

Within 32 Capital, at the underlying sub strategy level Emerging Markets (EM) was the largest contributor followed by the Small Cap sub strategy. The Mid Horizon sub strategy was additive to the fund return with a modest Q1 performance with Large Cap sub strategy being the only detractor over the period.

The EM sub strategy delivered consistent positive performance throughout the quarter. Returns in Q1 were led by the Large Cap sleeve of the fund. Early in the quarter, the stock selection model performed strongly overall and particularly well in the Offshore China universe. Reversal orientated insights did well and proved a good hedge to trending or Momentum orientated views as the factor continued to draw down. China reopening was a strong underlying theme to performance as the strong reversal stance of the market due to activities recovering faster than expected played well to positioning across many of the Sentiment signal set.

The year started strongly with Sentiment and contrarian Fundamental insights capturing the prevailing market tone. Signals tracking the views of management teams and brokers were among the signal leaders alongside broad Valuation related techniques. The portfolio performed very well in Financials where 8 of the top 10 stock level contributors were short positions in Banks as the market reassessed the trajectory for interest rates.

The Mid Horizon component of the fund delivered a modest positive contribution in the first quarter of the year, with February being the only negative month. At the beginning of the year, contributions at the underlying sub strategy level were universally positive, in part thanks to the typical start-of-the-year tailwind for liquidity provision. January was no exception with Investors returning to their desks looking to reposition portfolios. This demand for liquidity was captured well by the core components of the model across the Statistical and Flow categories. Within the US, the team’s machine learned techniques for combining signals together to take more nuanced stock level views were highly effective.

Top detractors: The Large Cap component started out the year positively as it took advantage of reversal opportunities within the risk on market. Contrarian Stock Selection strategies within the Fundamental composite of signals, were the strongest driver of alpha over January. Top performing signals were generally those that sought out faster moving mean reversion opportunities by betting directly against near term returns.

However, performance turned strongly negative in February, driving most of the quarter’s losses. Losses over the month were primarily attributable to a combination of Macro and Fundamental Value signals. The weakest performing signals over the month included top-down insights that measure the sensitivity of share prices to changing inflation expectations and measures of fundamental Value focused on short term mean reversion, as well as insights designed to capture the most deeply discounted parts of the market. These signals had positioned the portfolio for a continuation of the softer inflation

narrative which had played out over the turn of the year. However, February saw positioning from these insights generally run against the grain of a re-emerging inflationary theme. Losses were particularly notable across Consumer Discretionary names.

Systematic Fixed Income Component

The systematic fixed income component of the Fund, implemented by the **Fixed Income Global Alpha Fund (FIGA)**, posted a negative contribution to the Fund performance in Q1 2023. Relative Value and Macro strategies were the top detractor for the quarter. Mortgage and Securitized Credit supported the fund performance followed by Equity and Capital Structure and Credit strategies.

Top detractors: Relative Value strategies detracted over the first quarter. The fund’s curve strategies hurt as front ends flattened in January. Short positions in Germany detracted on the back of heavy new issuance. Cash bond strategies underperformed in March as markets repriced the front-end, leading to sharp curve steepening and high intra-day volatility, driven by the global banking crisis. Macro strategies also weighed on the fund performance in Q1. At the beginning of the year cross-market strategies hurt, driven by rates rally in the emerging markets amidst growing conviction of policy easing. Short-duration positioning hurt at the end of the first quarter following the collapse of Silicon Valley Bank and the merger of Credit Suisse and UBS, indicating the possibility of tighter credit conditions globally.

Top contributors: Mortgage & Securitized Credit strategies were the main contributors in Q1, driven by Securitized Credit strategies. The securitized credit market has been characterized by strong technicals, while demand has also been strong, supporting the funds’ positions. The team also participated in a Freddie Mac tender offer for seasoned assets in March, realizing gains. Equity & Capital Structure strategies also contributed over the quarter. The fund’s European strategies benefitted from sentiment and credit informed relative valuation driven shorts in banks and diversified financials. The team’s global country sector model benefitted from its defensive sector positioning over the month in March. Longs in consumer staples, utilities, and communication services, along with shorts in financials and real estate drove gains. Earnings season drove stock volatility and dispersion that benefited the positioning in February. Credit strategies also posted positive performance during the first quarter. Beneficiaries of the high-rate environment, such as banks and the finance sector, outperformed while capital intensive sectors underperformed, supporting the fund’s positions. The outperformance of energy names was also additive at the beginning of the year. Earnings season further supported dispersion and volatility, which benefitted performance.

Event Driven Component

The Event Driven strategy (**BlackRock Global Merger Partners**) delivered a negative return over the quarter.

Top detractors: A hard catalyst position in TD Bank/First Horizon detracted from performance over the quarter. Another detractor for the fund performance was United Health/EMIS Group which delivered negative returns over the period. Amgen/Horizon Therapeutics was another detractor for the fund over the first quarter of the year.

Top contributors: The top contributor for the fund performance was a position in CVS/Oak Street Health which was additive to performance. Another contributor over the quarter was position in CVS/Signify Health. Lastly, the position in Regal Rexnord/Altra Industrial Motion also contributed to the fund performance.

Fundamental Equity Long/Short Component

The Multi Opportunity Fund invests in three fundamental long/short equity strategies. The positive contribution was led by **Emerging Companies Hedge Fund (Cayman)** followed by **Emerging Companies Absolute Return Fund (UCITS)** and **Global Equity Absolute Return Fund**.

Within the Emerging Companies strategies:

Top contributors: The top ten contributors during the quarter were all long positions. From a regional perspective, four positions were from UK and four from US and two from Europe. The top 2 largest contributors were Microsoft and Nvidia both strengthened on the potential for the many uses of generative AI. In the case of Nvidia specifically, their GPU conference was positively received as they

revealed several exciting product launches but also expanded more on their business model transition towards recurring software as a service platform. Both Microsoft and Nvidia, along with other US technology companies that the fund holds, fared better during the mini-US banking crisis as investors reappraised (again) their positioning. The third largest contributor was RELX. This is the business that, for over a decade, has continued to make improvements to its business which allows it to accelerate revenue growth. Its data, analytics and tools help its customers to make better decisions at lower cost and this has, over time, benefited revenue trends in its risk and academic publishing businesses; more recently, the Legal division has delivered faster growth which the team believes can be sustained for longer than the market expects due to the multi-year nature of its contracts.

Top detractors: The largest detractor was a short in a UK Supermarket. The shares rose after the company reported better than expected Christmas trading, with positive like for like sales driven by inflation whilst volumes/mix were slightly negative. The team's concern is that like for like sales in food is at or nearing peak, so with rising wage costs and sequential softening in their General Merchandise and Clothing units; the team remains cautious about the company. The second largest detractor was the fund's long position in specialist pharmaceuticals business Ergomed, which suffered with the broader sell-off in UK small & mid-cap shares. The company specialises in drug development and drug safety, operating across two businesses, Clinical Research and Pharmacovigilance, focusing on high growth markets in oncology, rare diseases, and drug safety, which the team believes offer a long runway of future growth. Frustratingly, Ergomed reported very strong trading across all divisions for the 12 months to 31 December 2022, with a positive outlook as its order book continues to grow, providing a high level of revenue visibility in the coming years. The third largest detractor was Spirent Communications, which fell after the company announced that trading would be more heavily weighted to the second half of the year as their customers have been delaying their investment decisions as a result of the ongoing challenging economic backdrop.

The other fundamental equity long/short strategy, the **Global Equity Absolute Return Fund**, posted a positive return over the quarter. At a sector level, Health care and IT holdings contributed to the fund performance while Communication Services and Industrials were the largest detractors. From a regional perspective, apart from the UK, positions in all regions delivered positive returns with the European Union (EU) contributing the most.

Top contributors: The top contributor was a long position in GE Healthcare. The stock was a strong performer in January and the spin-off from GE began closing the discount to listed global peers that the team envisioned. The second largest contributor was a long position in Align Technologies, following stronger than expected results and outlook in January. The third largest contributor for the quarter was a long holding in Sony. Strong results and momentum in the flagship product PS5 console continue to improve.

Top detractors: The top detractor was Recruit Holdings. While job markets continue to loosen, impacting near term growth, the team believes there is an attractive long term growth potential in the company. The second largest detractor was a short position in a US domiciled transportation company, as ongoing tightness in supply of autos has kept gross profit per vehicle elevated. The team believes this will not be sustainable in the future. The third largest detractor was a long position in Alibaba Group. The shares fell following Q4 results and competitive concerns around discounting.

Global Macro Component

The Fund's global macro/managed futures component is implemented by two strategies, the **Tactical Opportunities Fund** and the **BlackRock Absolute Macro Fund**. Both the funds detracted over the quarter.

The Tactical Opportunities Fund delivered negative returns in the first quarter of the year. The Fund's directional duration shorts were the main detractors from performance.

Top detractors: Directional short duration positions were detractors over the quarter given a dovish repricing of central bank policy expectations. The fund held shorts in German and Japanese government bonds and maintain conviction in these positions given that market pricing in rates appears disconnected from the team's

macro view of higher for longer inflation. Another long positioning in Japanese versus German equities weighed on returns as German equities continued to show resilience driven by tailwinds from fiscal stimulus and an abatement of the energy crisis. Japanese equities struggled on policy uncertainty as a change in Bank of Japan (BoJ) governor could accelerate the removal of yield curve control.

Top contributors: A long position in EUR vs USD position initiated in March benefited the fund performance as the European Central Bank (ECB) continued to raise its policy rate at a faster pace than the Fed. Another long positioning in Chinese vs Mexican and South African bonds benefited the fund as China continued to experience weak inflation and supportive policy, despite removing COVID restrictions late in 2022.

The other macro component, implemented by the **BlackRock Absolute Macro Fund** also delivered negative returns for the quarter.

Top detractors: The top detractors were Macro-Aware Stock Selection, Monetary Policy Timing, and Developed Markets (DM) Rate Country Selection models. Monetary Policy Timing had rather muted deduction until March, when the performance deteriorated noticeably. The sub strategy was the top detractor during March, which came mainly from directional views expressed in both Emerging Markets (EM) and Developed Markets (DM). Specifically, it was caught wrong-footed by the duration rally triggered by the Silicon Valley Bank (SVB), US regional banks, and Credit Suisse crisis. Macro-Aware Security Selection was particularly weak for the first 2 months of the quarter and had some recovery in March. The sub strategy was a top detractor in January due to Industry and Style timing. In February, US industry selection was particularly weak while Global industry and sentiment insights offset some of the losses. These strengths continued performing well in March to recover some of the losses. DM Rates Country Selection was volatile during January and never quite recovered from the resulting weakness in the rest of the quarter. The performance was a reversal for the top contributor in Q4. The model suffered from its rather defensive positioning throughout the quarter, firstly in the aftermath of SVB crisis, and secondly in March driven mostly by losses in the pair long US – short European rates, as US data rebounded strongly, which led to the market pricing further 2-3 hikes in 2023 and removing expectations for rate cuts in 2023.

Top contributors: The top contributors were Cash, FX, and Inflation Timing models. FX was a consistent, albeit at a low level, contributor over the quarter. The fund's long Euro currency positioning was a main driver of the outcome, supported by the European Central Bank's (ECB) resolve to hike rates, and the fund's defensive positioning benefiting from the safe haven effect as the Japanese Yen and Swiss Franc also outperformed. Inflation Timing had a strong quarter, consistently contributing to overall performance through February, with only a slight reversal in March. The model was consistently pro-inflation throughout the quarter.

Style Premia Component

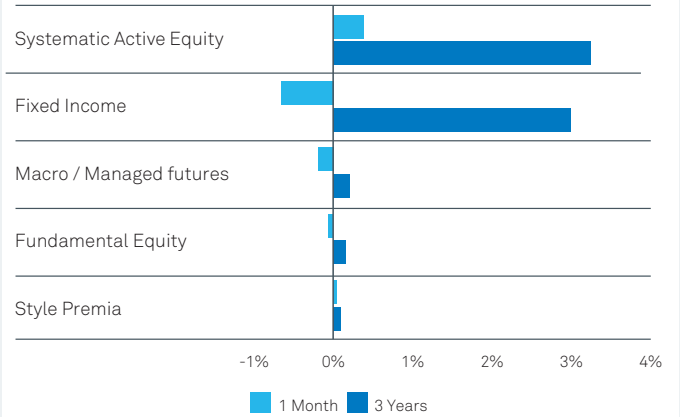
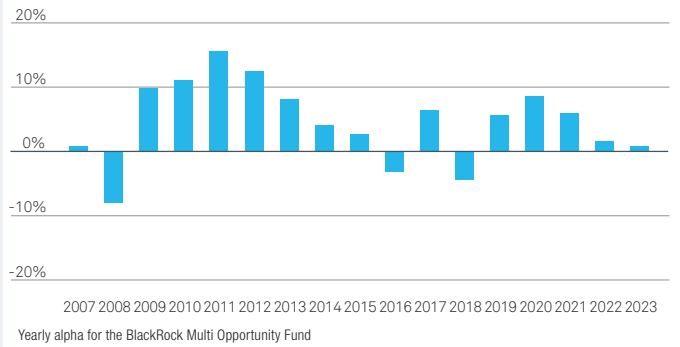
The Style Premia Strategies implemented through the **Style Advantage Fund** delivered strong returns over the first quarter of the year. March was reminiscent of the headline factor and asset class drivers that led gains for the portfolio in 2023 to date: Value, Carry, Low Volatility and particularly strong returns in Quality following the U.S. regional banking crisis drove outperformance, while Momentum was the lone pocket of deduction. Across asset class drivers, the single name equity allocation and derivative-based asset classes were complementary and additive. The former gained on persistent resilience within the defensively oriented factors, while the latter saw currency strategies deliver throughout heightened bouts of macro volatility, and an accretive run for equity markets and fixed income.

Top contributors: Currencies were the standout bright spot throughout all periods as the asset class began the year decisively in the lead from a return contribution perspective. The model saw nearly equal contribution across factor buckets over the quarter, albeit with Value delivering nearly all its gains in March. Both Developed Markets (DM) and Emerging Markets (EM) models contributed meaningfully, with EM modestly outperforming DM; DM positioning added throughout March, while EM insights delivered most P&L earlier in the quarter. Equity markets extended first quarter gains throughout March as a combination of Carry and Value strategies contributed more than offset deduction from Momentum. Across sectors, March's gains

were led by the EM side of the book. A modest short in Brazilian equities was accretive following the president's continued criticism of hawkish central bank polish, and a short in Polish equities added as the market was dragged down by lacklustre macro data prints. The DM side of the book was flat over the same period with most of the model's regional positioning netting out. Over the course of the quarter, the equity markets model was the second-best performing asset class at the portfolio level with contribution split nearly evenly across both EM and DM sides; intra-regional security selection drove most cross-sectional P&L. Quarterly EM gains were predominantly a function of APAC positioning. A long in Taiwanese equities moved higher on a combination of Chinese reopening and a rebound in tech sentiment, while short exposure to Indian equities was supported by outflows following a high-profile accusation of a local major holding company accused of fraud. Fixed income Value and Carry insights delivered gains sufficient in offsetting detractor from Momentum over both the month of March and the first quarter. Across both time periods, DM positioning contributed most of the gains, while returns in EM oscillated around flat. Within DM rates, the model's primary cross-sectional contributor was a high conviction long duration position in Australian debt.

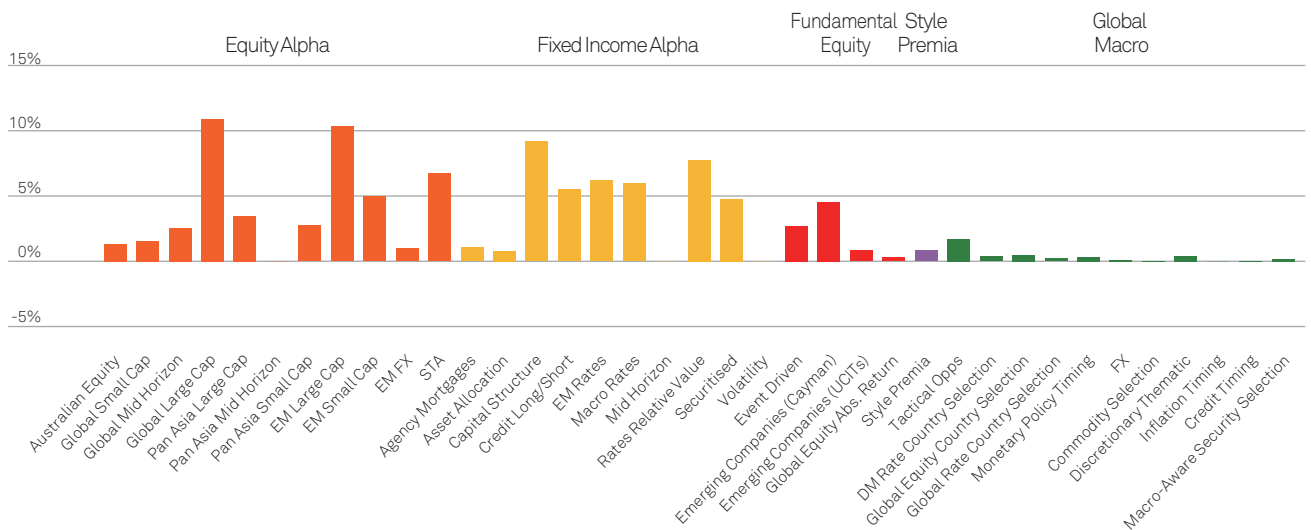
Single name equities successfully weathered significant volatility in global equity markets following the collapse of multiple regional U.S. banks and ensuing liquidity concerns. The defensiveness of the Quality and Low Volatility factors came into play with both factors delivering most of the return contribution over the tail end of the quarter to bring the asset class positive in Q1 2023. Across Quality insights, the factor saw a relative split between traditional, balance sheet-based measures that tilt into high, near-dated cash flow businesses with low levels of leverage and more nuanced signals that account for firms' investments into research and development or patent applications.

Yearly Alpha, Gross of Fees (%)



Attribution for the BlackRock Multi Opportunity Fund

Sub-Strategy Risk Allocation



About the Fund

Investment Objective

The Fund aims to achieve a return of 8% p.a. before fees, above the Reserve Bank of Australia's Cash Rate Target over rolling three-year periods. The Fund will aim to achieve its investment objective by targeting a total expected risk of between 4%-6% p.a. over the same rolling three-year period.

Fund Strategy

The Fund aims to outperform the Benchmark by providing investors with a source of risk controlled absolute returns that are, over time, expected to have low correlations with the returns of major asset classes.

The Fund gains exposure to a diversified range of absolute return strategies that may include, but are not limited to:

- ▶ **Equity Market Absolute Return** strategies that seek to exploit inefficiencies in individual stock prices by gaining exposure to long and short positions in local and global equity markets.
- ▶ **Event Driven** strategies that seek to capture the structural and persistent risk premia in merger arbitrage through a robust and repeatable investment process focused on companies that are involved in publicly announced definitive mergers, takeovers, tender offers, leveraged buyouts, and other corporate combinations.
- ▶ **Fixed Income Absolute Return** strategies that seek to exploit opportunities across global fixed income markets by taking long and short positions in a broad range of fixed income securities including, but not limited to: sovereign bonds; corporate credit; mortgages; and other securities.
- ▶ **Global Macro/Managed Futures** strategies that seek to exploit inefficiencies across global markets by gaining exposure to long and short positions across a broad array of global assets including, but not limited to: equities; bonds; currencies; commodities; and other assets. These strategies may utilise both fundamental and/or trend following insights to construct portfolios.
- ▶ **Market Neutral Style Premia** strategies that seek to capture positive returns from a range of style factor strategies across global asset classes while maintaining low correlation to broad market factors.

The selection of an investment for the Fund is the result of comprehensive due diligence to ensure that it is in line with fiduciary duties and in compliance with related party policies. The Fund may be a seed, lead or only investor in a BlackRock strategy. Acting as the seed

investor may create a commercial opportunity for the BlackRock Group. For example, a seed investment in a BlackRock Strategy may allow the BlackRock Group to establish a track record for a fund or product that it is then able to sell to other clients.

We continuously explore BlackRock for the addition of new investment strategies with the view of including these where they meet the Fund's strict investment criteria. The Fund's investment strategy is implemented in three stages :

1. **Strategy Selection:** continuous search for (and due diligence on) the latest and most innovative research and investment ideas, leveraging BlackRock's extensive pool of investment specialists.
2. **Capital Allocation:** capital is allocated to construct a diversified portfolio of absolute-return strategies taking into account the expected return, risk and cost of accessing each absolute return category, as well as the available capacity of each category.
3. **Core Security/Market Selection:** security/market selection occurs within each absolute-return category at the underlying strategy level.

The Fund should be considered by investors who ...

- ▶ Seek a fund that uses total-return strategies across major asset classes and world markets with the objective of enhancing portfolio returns while diversifying risk.
- ▶ Seek a fund that has a low correlation to equity returns, interest rate moves and other active return sources.
- ▶ Have a long term investment horizon.

Fund Details

BlackRock Multi Opportunity Absolute Return Fund	
APIR	BLK0001AU
Buy/Sell Spread	0.10%/0.10%
Management Fee	1.25% p.a.
Performance Fee	20%
Strategy AUM	1170 mil
Hurdle Rate	RBA Cash Rate
Liquidity	Monthly
Private placements (% of NAV)	1.0%
Minimum Initial Investment	\$50K
Notification	15 business days
Lock-up Period	None
Domicile	Australian Unit Trust
Custodian	J.P.Morgan Chase Bank

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